



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES OF A MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS COMMITTEE

HELD ON
Thursday, August 25, 2011
10:30 a.m., Arizona Time

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Steven Zeman, Chair, called the meeting to order at 10:30 a.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Steven Zeman, Chair
Mr. Tom Manos, Vice-Chair (Via Teleconference)
Mr. Kevin McCarthy

Absent: Mr. David Byers

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the August 11, 2011 Minutes of the OC Meeting

Motion: Mr. Kevin McCarthy moved the minutes of the August 11, 2011 OC meeting be accepted. Mr. Tom Manos seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding the ASRS Internal Audit Division Biennial Audit Plan for Fiscal Years Ending 2012 and 2013

Mr. Bernard Glick, Chief Internal Auditor, addressed the Committee regarding the ASRS Biennial Audit Plan for Fiscal Years 2012 and 2013. He highlighted the number of hours allocated for auditing for each of the two fiscal years and the various areas the Internal Audit Division would be auditing internally over the course of the two years included in the plan. He noted the plan incorporates the recommendations made in management's Risk Assessment which was presented to the OC on August 11, 2011. Mr. Zeman requested that Forfeitures be audited to ensure they are valid and calculated correctly. Mr. Glick said he would add that to the Audit Plan. Mr. Glick also noted the flexibility in the audit plan, allocating additional hours of audit

time if a planned audit were to exceed the budgeted time or if the OC or the Board wished to allocate those hours to a specific area they would like audited.

Motion: Mr. Kevin McCarthy moved to accept the Biennial Audit Plan for Fiscal Years 2012 and 2013 and forward to the ASRS Board for consideration. Mr. Tom Manos seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

4. Review of Recently Conducted Audits

- **Wire Transfers**
- **Chinle Unified School District**
- **Pima Community College**

Mr. Glick presented the Committee with three audits. The first audit was of ASRS Wire Transfers. Mr. Glick said there were two findings. The first finding was that the ASRS, along with its back office and bank vendors, has a multi-tiered system of primary and secondary controls in place that adequately ensures the security and timeliness of outgoing and incoming wire transfers. The second finding was that there were missing and/or outdated Standard Operating Procedures (SOP) regarding wire transfers. Mr. Glick stated the SOPs had been or would be updated by the end of the quarter.

The second audit was of the Chinle Unified School District. Mr. Glick stated there were three major finding: 1) the District did not remit contributions for one normal retiree who worked 25 full-time weeks prior to retirement, then, after retirement and in the same fiscal year, returned to work 20 or more hours per week for seven additional weeks, 2) the District did not remit contributions for 39 employees who were engaged to work at least 20 hours per week for at least 20 weeks in one or more fiscal years and did not remit contributions on all eligible compensation for five employees, and 3) the District applied and remitted contributions on six employees' lump sum payments for accumulated leave upon termination. The amount due the ASRS is \$39,208.

The last audit was of Pima Community College. Mr. Glick said there were several findings including: 1) the College did not remit contributions for eight employees who were engaged to work at least 20 hours per week for at least 20 weeks in one or more fiscal years, 2) the College did not remit contributions for eight employees who were eligible to participate because they were contributing at other ASRS employers, 3) the College did not remit contributions on all eligible compensation for 36 employees, 4) the College remitted contributions for five ineligible individuals, and 5) the College had not ensured that all retirees returning to work under state statutes complied with the requirement that they acknowledge the provisions of the statute within 30 days of returning to work. Mr. Glick noted the College had corrected the last finding while the auditor was still in the field. The amount due the ASRS is \$77,950.

5. Request for Future Agenda Items

There were no requests by the Committee.

6. Call to the Public

No members of the public addressed the Committee.

7. Adjournment of the OC

Mr. Steven Zeman adjourned the meeting at 10:46 a.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino Date
Deputy Director and Chief Operations Officer